



LMC Monthly Update - April 2019

Brexit

Following a third negative vote on the Withdrawal Agreement (WA) in the House of Commons, the EU leaders approved an additional Brexit extension until 31 October 2019. This will be a flexible extension, meaning that if the WA is ratified before this date, the exit of the UK will take place on the first day of the following month. Some conditions were set though, including the need for the UK to hold European Elections. In addition, the UK will be expected to act in a constructive and responsible manner throughout the extension, reflecting “its situation as a withdrawing Member State”. Reaching an agreement on the final date was more difficult than ever as leaders were more divided than usual on Brexit-related matters, with a very small group led by Macron pushing for a shorter extension. Even if avoiding a no-deal scenario is a clear priority for everyone, it remains the default option should the UK fail to ratify the WA. A key development happened this month in no deal preparation with the EU approving the necessary legislative text for the UK to become listed as a third country for exporting animals and products of animal origin to the EU in case of a no deal Brexit.

Access to finance for young farmers

The European Commission and the European Investment Bank (EIB) have launched a €1 billion loans package targeting specifically financial needs of young farmers. The programme will be managed at Member State level by banks and leasing companies operating across the EU. Participating banks should match the amount committed by the EIB, bringing the total amount to a potential €2 billion, and priority should be given to young farmers. The programme will allow lower interest rates; longer periods of up to 5 years to start repaying the loan; longer periods to pay back the whole loan (up to 15 years) and additional flexibility to respond to price volatility in the agricultural sector (i.e. through a “holiday/grace” period allowing farmers not to pay back for a few months). Two pilot loans of €275 million are about to be implemented in France through this scheme targeting specifically young farmers and climate change mitigation.

General Food Law Reform

New rules to ensure the EU food safety risk assessment procedure is more reliable, transparent and objective, were approved this month by MEPs during the last Plenary Session of the European Parliament’s (EP) 2014-2019 term. The new rules will create a common European Database of commissioned studies to deter companies applying for authorisation from withholding unfavourable studies, and allow the European Food Safety Authority (EFSA) to make submitted studies public

for third party scrutiny. Applicants will also be obliged to disclose all information relevant for assessing safety, although confidential treatment can be granted to information that may cause commercial harm. The new rules will enter into force once formally approved by the Council and address concerns raised in the European Citizens' Initiative on glyphosate. Although the overall objective was welcomed by most stakeholders, the food and drink industry has also expressed its concern on the potential impact on innovation and competitiveness in this sector.

EU-US Trade

EU Member States have approved the mandates to open negotiations with the US for a trade agreement in industrial goods (excluding agriculture) and conformity assessment, so the EU is ready to launch negotiations. Commissioner Malmström has indicated her intention is to finalise talks before the end of the EC's term (October this year). These news, however, were not welcomed by the US, as they now want to include agriculture despite the Juncker-Trump agreement in July clearly excluding it. Anyways it is clear that the main objective for the EU is not the trade agreement itself but avoiding the escalation of trade disputes. In case the soft strategy of trade negotiations and increased trade in soya beans (EU imports of US soya beans increased by 121% over the current year) fails, the EU has also worked on a tougher approach and has launched a public consultation on a list of US products (including agri-food) on which the EU may take countermeasure in the context of the ongoing Boeing-Airbus dispute at the WTO.

Market outlook

The EC has published this month the latest short-term outlook report for EU agricultural markets in 2019. This edition still relates to the EU-28, as the UK is still a member at the date of publication. However, authors stress that uncertainty surrounding Brexit renders outlook exercise even more difficult. EU beef production is expected to decline in 2019 in the EU (-1.3%) due to smaller breeding herds in 2018 in key countries (FR, NL, IT, DE, UK). Production may not fall in IE & ES, and the expansion will continue in PL. Limited supply may put upward pressure on prices, and will only be partially compensated by higher imports (mainly from Brazil), while exports are expected to resume. This will result in consumption reduction in 2019. As for sheep, EU production is also expected to decline (-1%), reflecting smaller (breeding) flocks in the main producing countries. EU prices may remain high in 2019 due to the supply decline. In case of no disturbances in trade flows, slightly lower EU imports are expected in 2019, contributing to a decline of sheepmeat consumption in the EU (from 2.3 to 2.2 kg per capita).

EEA on consumption of animal based protein

The European Environment Agency (EEA) has published a briefing on trends in the consumption of animal based proteins (meat, dairy, eggs, fish & seafood) and its

impact on the EU's environmental footprint. Among its key messages, it states that meat and dairy products contribute around 6 % of the economic value but 24 % of the environmental impacts caused by total final consumption in the EU, and that both ammonia and greenhouse gas emissions from agriculture increased year-on-year in the 2014-2016 period. It therefore concludes that the food sector may need to undergo significant changes if the EU is to meet its 2050 target for an 80–95 % reduction in greenhouse gas emissions.

CAP reform

The Agriculture Committee of the EP has approved the three reports regarding the reform of the EU farm policy. The first one focused on the new EU rules for common market organisation (CMO) in agricultural products after 2020. MEPs suggestions include extending to all sectors the scheme currently available for dairy financing voluntarily reductions of production in times of market imbalances, together with allowing public intervention for new products such as sheep meat and pig meat. The second report, concerning the Strategic plans Regulation, focuses on the new EU rules for direct payments and rural development. MEPs approved limiting the annual direct payments to farmers at €100,000 per beneficiary (although some deductions are foreseen), dedicating at least 30% of the rural development budget to environmental and climate-related measures and not less than 20% of direct payments to eco-schemes. The last report amends the so-called Financing, Management and Monitoring Regulation, and calls for a crises reserve financed from outside the CAP budget and tougher penalties for recurring non-compliances. Although the three reports are ready to be scrutinised by the full House, new MEPs will be sitting in the Committee after the European elections and they might decide to change these positions.

Food Fraud

The EU Food Fraud Network has published its 2018 activities report which presents the voluntary exchanges related to cross-border food fraud suspicions within the EU Administrative Assistance and Cooperation System (the information technology system for EU countries to exchange data regarding non-compliances and potential intentional violations of the EU agri-food chain legislation). Though the list does not represent the entirety of food fraud incidents occurring in the EU, its numbers have increased significantly in 2018, with a total of 234 requests for cooperation, up from 167 in 2016. Out of those 234 request, 58 originated in Germany (8 in the UK). The category “fish and fish products” had the largest number of requests (45) but it is closely followed by “meat and meat products” (41). “Fats and oils” rank third with 29 requests. Mislabelling is in general the most common suspected violation (41.8%) but in the case of “meat and meat products other than poultry”, violations arise mainly due to absent/falsified/manipulated documentation.